



DOWAGIAC DISTRICT LIBRARY

DOWAGIAC, MICHIGAN

FINANCIAL STATEMENTS

Year ended September 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Dowagiac District Library	County Cass
Audit Date 9/30/05	Opinion Date 10/24/05	Date Accountant Report Submitted to State: 12/13/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Scarpone & Co., P.C., CPA's			
Street Address 20 N. Second St., P.O. Box 1146		City Niles	State MI
Accountant Signature <i>James J. Scarpone, CPA</i>		ZIP 49120	Date 12/13/05

DOWAGIAC DISTRICT LIBRARY

DOWAGIAC, MICHIGAN

TABLE OF CONTENTS

ITEM	<u>PAGE NUMBER</u>
DISTRICT LIBRARY BOARD.....	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-4
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet and Statement of Net Assets.....	5
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities.....	6
Notes to Basic Financial Statements	7-10
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund.....	11

DOWAGIAC DISTRICT LIBRARY

DOWAGIAC, MICHIGAN

DISTRICT LIBRARY BOARD

Judy Fusko	-	Chairman
-------------------	----------	-----------------

Jackie Baker	-	Vice-Chairman
---------------------	----------	----------------------

Jackie Goodman	-	Secretary
-----------------------	----------	------------------

Ron Jones	-	Treasurer
------------------	----------	------------------

Ann Greene	-	Member
-------------------	----------	---------------

Judy Lawrence	-	Member
----------------------	----------	---------------

Beverly Nemeth	-	Member
-----------------------	----------	---------------



SCARPONE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

October 24, 2005

**Members of the Library Board
Dowagiac District Library
Dowagiac, Michigan**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Dowagiac District Library as of and for the year ended September 30, 2005, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Dowagiac District Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Dowagiac District Library as of September 30, 2005, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Scarpone & Co., P.C.

DOWAGIAC DISTRICT LIBRARY

DOWAGIAC DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2005

The Library is reporting financial statements that meet the requirements of Governmental Accounting Standards Board Statement 34 (GASB No. 34). The two primary elements involved in meeting these requirements is the addition of a Management's Discussion and Analysis (MD&A) and the reporting of all capital assets and depreciation of such assets.

Library materials and other fixed assets acquired in years prior to October 1, 2004, such as furniture, equipment and computers, were determined to have exceeded their estimated useful lives and therefore fully depreciated. Such assets are not reflected in the statement of net assets.

Condensed Financial Information

The table below compares certain financial information in a condensed format for the years ended September 30, 2005 and 2004, respectively:

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 154,504	\$ 48,031
Capital assets	41,375	-
Total assets	195,879	48,031
Current liabilities	4,368	4,743
Net assets:		
Invested in capital assets	41,375	-
Unrestricted	114,827	43,288
Restricted	35,309	-
Total net assets	\$ 191,511	\$ 43,288
Revenues:		
Property taxes	\$ 277,706	\$ 79,998
Penal fines	63,399	57,658
City of Dowagiac	13,000	-
State-shared revenues	12,334	12,149
Other	19,267	19,687
Total revenues	385,706	169,492
Expenditures	237,483	126,445
Change in net assets	\$ 148,223	\$ 43,047

DOWAGIAC DISTRICT LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONCLUDED

September 30, 2005

Overall Financial Position

The library's primary source of revenue is from property taxes and penal fines. For the year ended September 30, 2005, total tax collections were \$277,706 and total penal fine revenues totaled \$63,399, which represented 72% and 16% of total revenues, respectively.

Employee compensation, including related payroll taxes and fringe benefits are the largest overall expenditures of the Library. For the year ended September 30, 2005, these expenditures totaled \$133,220, which represented 48% of the Library's total expenditures.

Expenditures for budgeted capital outlay were the second largest overall expenditures of the Library, totaling \$64,130 for the year, which represented approximately 23% of the Library's total expenditures. Such expenditures are summarized as follows:

Building assessment study	\$ 10,767
Roof replacement project	30,480
New computers	12,783
Other capital outlay expenditures	10,100
Total	\$ 64,130

Library materials, which consist of additions to the Library's books, audio, video and periodical collections, were the third largest overall expenditures of the Library. These expenditures totaled \$24,933, and represented approximately 9% of the Library's total expenditures.

LIBRARY BUDGET HIGHLIGHTS

During the course of the fiscal year, the Library Board amended the budget to take into account events that occurred during the year. The most significant amendments occurring were changes in the budgeted employee wages and fringe benefits.

DOWAGIAC DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET
AND
STATEMENT OF NET ASSETS

September 30, 2005

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Assets</u>
Cash and cash equivalents	\$ 154,504	\$ -	\$ 154,504
Capital assets	-	41,375	41,375
TOTAL ASSETS	\$ 154,504	\$ 41,375	\$ 195,879
 <u>LIABILITIES</u>			
Accounts payable	\$ 4,368	\$ -	\$ 4,368
TOTAL LIABILITIES	4,368	-	4,368
 <u>FUND BALANCES / NET ASSETS</u>			
Fund Balances:			
Unreserved	114,827	(114,827)	-
Reserved for capital outlay	35,309	(35,309)	-
TOTAL FUND BALANCE	150,136	(150,136)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 154,504		
Net Assets:			
Invested in capital assets			41,375
Restricted for capital outlay			35,309
Unrestricted			114,827
TOTAL NET ASSETS			\$ 191,511

See accompanying notes to basic financial statements.

DOWAGIAC DISTRICT LIBRARY

GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

Year ended September 30, 2005

<u>REVENUES</u>	<u>General Fund</u>	<u>Adjustments (Note G)</u>	<u>Statement of Net Assets</u>
Local taxes	\$ 277,706	\$ -	\$ 277,706
City of Dowagiac	13,000	-	13,000
Penal fines	63,399	-	63,399
State-shared revenues	12,334	-	12,334
Charges for services	11,872	-	11,872
Ladies Library Association contribution	3,239	-	3,239
Other contributions and gifts	1,865	-	1,865
Interest and dividends	1,208	-	1,208
Miscellaneous revenue	1,083	-	1,083
TOTAL REVENUES	385,706	-	385,706
 <u>EXPENDITURES</u>			
Salaries and wages	110,601	-	110,601
Payroll taxes	8,461	-	8,461
Health and dental	10,974	-	10,974
Life insurance	192	-	192
Retirement	2,992	-	2,992
Worker's compensation	537	-	537
Supplies	6,490	-	6,490
Professional fees	5,284	-	5,284
Contractual maintenance	9,202	-	9,202
Co-op membership	3,384	-	3,384
Telephone	1,570	-	1,570
Travel and training	2,947	-	2,947
Community promotion	1,068	-	1,068
Insurance	4,440	-	4,440
Utilities	8,630	-	8,630
Equipment maintenance	5,748	-	5,748
Building maintenance	4,866	-	4,866
Miscellaneous	1,151	-	1,151
General fund administration	1,258	-	1,258
Library materials	24,933	-	24,933
Capital outlay	64,130	(43,263)	20,867
Depreciation	-	1,888	1,888
TOTAL EXPENDITURES	278,858	(41,375)	237,483
 REVENUES OVER EXPENDITURES/ CHANGE IN NET ASSETS	 106,848	 41,375	 148,223
 FUND BALANCE/NET ASSETS			
Beginning of Year	43,288	-	43,288
 End of Year	 \$ 150,136	 \$ 41,375	 \$ 191,511

See accompanying notes to basic financial statements.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Dowagiac District Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant policies adopted by the Library are as follows:

REPORTING ENTITY:

Effective September 15, 2003, the Dowagiac District Library commenced its official operation. The Dowagiac District Library is comprised of all the territory which is currently located within the jurisdictional limits of the City of Dowagiac, Cass County; Wayne Township, Cass County; and the Dowagiac Union School District that is not part of the Cass District Library and the portion of the Dowagiac Union School District that is not part of the Eau Claire District Library.

The district of the Dowagiac District Library is located in the County of Cass and partly in the County of Van Buren, State of Michigan.

The Library is funded primarily through property taxes, state aid, penal fines, grants, and donations. The voters of the districts approved a permanent .75 mill tax, which began with the tax levy effective December 1, 2004. Due to the Headlee roll back amendment, a net .7379 mill tax was in effect for the Winter, 2004 tax roll.

The Library is governed by an appointed board (the "Library Board") which consists of seven members. The City of Dowagiac provides two members; the Dowagiac Union School District provides three members; and Wayne Township provides two members.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Library has one fund, the General Fund, which is the Library's operating fund.

The General Fund is budgeted and accounted for using the current financial resources measurement and the modified accrual basis of accounting. Revenue is recognized as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are recorded at cost and include cash investments with an original maturity of three months or less.

CAPITAL ASSETS:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building improvements	25 years
Furniture and equipment	5-10 years

The minimum capitalization threshold is any item with a total cost greater than \$1,000.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2005

NOTE B - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at September 30, 2005:

Petty cash	\$	50
Deposits in financial institutions		154,454
	\$	154,504

The above deposits in financial institutions of \$154,454 were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$156,812. Of that amount, \$150,725 was covered by federal depository insurance coverage and \$6,087 was uninsured and uncollateralized.

NOTE C - CAPITAL ASSETS:

Capital asset activity of the Library's governmental activities for the year ended September 30, 2005 was as follows:

	Balance Sept. 30, 2004	Additions	Deletions	Balance Sept. 30, 2005
Building improvements	\$ -	\$ 30,480	\$ -	\$ 30,480
Furniture and equipment	-	12,783	-	12,783
	-	43,263	-	43,263
Accumulated depreciation	-	(1,888)	-	(1,888)
Net capital assets	\$ -	\$ 41,375	\$ -	\$ 41,375

The Library's capital assets acquired prior to the current year were deemed to have exceeded their estimated useful lives and therefore are fully depreciated. Such assets are not reflected in the Statement of Net Assets.

NOTE D - RESTRICTED NET ASSETS:

Restricted net assets represents cash held in a separate money market account, which is to be used exclusively for budgeted capital outlay expenditures. Restricted net assets at September 30, 2005 were \$35,309.

NOTE E - PENSION PLAN:

The Library has established a pension plan for its employees which is being administered through the Municipal Employees' Retirement System of Michigan (MERS).

For the year ended September 30, 2005, the employer contribution was approximately 4.7% of reported eligible wages and totaled \$2,992.

DOWAGIAC DISTRICT LIBRARY

NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED

For the year ended September 30, 2005

NOTE F- RISK MANAGEMENT:

The Library maintains commercial insurance to insure potential significant losses. There have been no significant reductions in insurance coverage by the Library for the year ended September 30, 2005.

NOTE G - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference is a result of the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following are reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - modified accrual basis	\$ 150,136
Amounts reported in the Statement of Net Assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	41,375
Net assets of General Fund - full accrual basis	\$ 191,511
Net Change in Fund Balance - modified accrual basis	\$ 106,848
Amounts reported in the Statement of Activities are different because:	
Capital outlays subject to the capitalization policy are reported as expenditures in the Statement of Revenue, Expenditures, and Changes in Fund Balance; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay (subject to capitalization)	43,263
Depreciation	(1,888)
Change in Net Assets of General Fund - full accrual basis	\$ 148,223

REQUIRED SUPPLEMENTARY INFORMATION

DOWAGIAC DISTRICT LIBRARY
BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended September 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Local taxes	\$ 260,000	\$ 260,000	\$ 277,706	\$ 17,706
City of Dowagiac	13,000	13,000	13,000	-
Penal fines	57,400	57,400	63,399	5,999
State-shared revenues	12,000	12,000	12,334	334
Charges for services	11,000	11,000	11,872	872
Ladies Library Association contribution	1,000	1,000	3,239	2,239
Other contributions and gifts	1,000	1,000	1,865	865
Interest and dividends	1,000	1,000	1,208	208
Miscellaneous	1,000	1,000	1,083	83
	<u>357,400</u>	<u>357,400</u>	<u>385,706</u>	<u>28,306</u>
EXPENDITURES:				
Salaries and wages	106,000	110,840	110,601	239
Payroll taxes	8,300	8,500	8,461	39
Health and dental	13,000	11,100	10,974	126
Life insurance	1,000	220	192	28
Retirement	3,000	2,716	2,992	(276)
Worker's compensation	500	500	537	(37)
Supplies	5,000	7,040	6,490	550
Professional fees	9,500	5,400	5,284	116
Contractual maintenance	9,000	9,202	9,202	-
Co-op membership	3,500	3,384	3,384	-
Telephone	1,500	1,570	1,570	-
Travel and training	1,500	3,000	2,947	53
Community promotion	1,500	1,320	1,068	252
Insurance	4,500	4,440	4,440	-
Utilities	9,000	8,720	8,630	90
Equipment maintenance	5,000	5,798	5,748	50
Building maintenance	6,000	5,540	4,866	674
Miscellaneous	2,000	1,151	1,151	-
General fund administration	1,500	1,500	1,258	242
Library materials	25,000	24,999	24,933	66
Capital outlay	100,000	100,000	64,130	35,870
	<u>316,300</u>	<u>316,940</u>	<u>278,858</u>	<u>38,082</u>
EXCESS OF REVENUES OVER EXPENDITURES	41,100	40,460	106,848	66,388
FUND BALANCE, BEGINNING OF YEAR	43,288	43,288	43,288	-
FUND BALANCE, END OF YEAR	\$ 84,388	\$ 83,748	\$ 150,136	\$ 66,388

See accompanying notes to basic financial statements.